

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 3 MAY 2016

Title of report	HRA ASSET DISPOSALS
Key Decision	a) Financial No b) Community No
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Purpose of report	To update Cabinet regarding the proposed disposal and redevelopment of decommissioned sheltered schemes and communal garage sites.
Reason for Decision	This is an update report rather than a report seeking a decision
Council Priorities	Value for Money Business and Jobs Homes and Communities Green Footprints Challenge
Implications:	
Financial/Staff	Costs to be met from within existing approved budgets
Link to relevant CAT	None
Risk Management	Risks will be managed through the corporate performance management framework
Equalities Impact Screening	N/A
Human Rights	No implications
Transformational Government	N/A
Comments of Head of Paid Service	Report is satisfactory

Comments of Deputy Section 151 Officer	Report is satisfactory
Comments of Deputy Monitoring Officer	Report is satisfactory
Consultees	None
Background papers	Report to Cabinet - 8 March 2016 – HRA Sheltered Housing and Garage Site Review.
Recommendations	IT IS RECOMMENDED THAT CABINET NOTE THE CONTENTS OF THIS REPORT

1.0 BACKGROUND

1.1 In March 2016 Cabinet approved the decommissioning of Queensway House and was advised that initial market testing would commence in respect of the disposal of this site along with the already decommissioned sites at Westgate and Woulds Court. This market testing would include the future potential use of various communal garage sites as described in the 2015-2020 Housing Revenue Account (HRA) Asset Management Strategy.

1.2 In line with the HRA Asset Management Strategy, the options for each decommissioned site will be developed using the criteria below, and all other potential uses for these schemes will be considered:

- Location and potential demand for general needs accommodation;
- Investment need and re-design costs to utilise existing building and site for general needs accommodation;
- Potential to demolish and utilise the site for affordable housing, using one of the development models listed below:
 - RSL partner;
 - Development by external partner for NWLDC:
 - Development by NWLDC direct
 - Joint venture model
 - Developer led
 - Design & Build
 - Section 106
- Potential to dispose of the site for alternative private use and/or development.

1.3 Any proposal to dispose will fall under the Housing Revenue Account Disposal Policy approved by Cabinet on 3 March 2015, which states that any assets with a value of £50,001 and over will be referred to Cabinet for decision prior to disposal.

- 1.4 The report to Cabinet in March 2016 indicated that a further report would be taken back to Cabinet in May 2016, regarding the recommended future use of the remaining decommissioned sheltered schemes and the future potential use of various communal garage sites.

2.0 POTENTIAL FOR COUNCIL NEW BUILD

- 2.1 Consideration has been given to the Council building new affordable homes on each of the three decommissioned sheltered scheme sites and financial modelling has been undertaken to assess feasibility of providing the following units:

Scheme	Units	Assumed Cost	Unit Weekly Rent
Westgate	4 x 1 bed flats	£1,545,000	£83.94
	3 x 2 bed bungalows		£90.23
	5 x 2 bed houses		£90.23
	1 x 3 bed house		£104.41
Queensway	6 x 2 bed houses	£760,000	£90.23
Woulds Court	8 x 2 bed houses	£1,014,000	£90.23

- 2.2 Financial outcomes have been modelled over a 30 year period for each scheme individually. HRA resources are very limited and the modelling is based on utilising £72,600 of s.106 receipts that are currently available to be called upon, and then borrowing using the existing headroom within the HRA.

- 2.3 The table below shows the results of that modelling over the 30 year period.

Scheme	Cashflow, before interest £'000	30 year interest cost £'000	Total Cashflow £'000
Westgate	37	-1,400	-1,363
Queensway	18	-626	-608
Woulds Court	0	-893	-893

- 2.4 The modelling clearly demonstrates that there is a significant overall negative cashflow and that the HRA could not currently support the development, without significant subsidy.

3 TESTING THE MARKET

- 3.1 Given the modelling results above, officers have undertaken market testing to gauge the level of interest in these sites, and in communal garage sites.
- 3.2 Officers prioritised eighteen of the Council's communal garage sites as having the best potential for housing redevelopment along with the three decommissioned sheltered schemes.
- 3.3 These twenty one sites were geographically grouped and six registered providers (RPs), with a track record of operating in the local area, and eight local building developers were approached to gauge the level of market interest prior to seeking formal approval from Cabinet to proceed with more specific proposals for each of the sites.
- 3.4 Those approached were asked to provide:
- An indication whether they would be potentially interested in purchasing any, some, or all of the sites highlighted, or any combination of the sites;
 - A broad indication of the price they might be willing to offer for any site(s) in which they might be interested in purchasing;
 - An indication of what type / tenure mix of accommodation they might be looking to develop on any site(s) in which they were interested.
- 3.5 Potential purchasers were also advised of the factors that the council would consider, including:-
- Offer price;
 - Willingness to take on less attractive sites;
 - Type and tenure of the housing being proposed;
 - Ability to lever in any external grant / funding;
 - Any other 'added value' they could offer.

4 EXPRESSIONS OF INTEREST

- 4.1 None of the local building developers expressed an interest in purchasing any of the twenty one sites. Two did however respond indicating that the sites were too small for their respective business models.
- 4.2 Two RPs have responded positively, RP1 and RP2, and a third, RP3 has indicated that they would like the chance to discuss the individual sites moving forwards with a view to putting a viability package together for our consideration. A summary of the RP1 and RP2 responses is attached as Appendix One to this report. This appendix is confidential.
- 4.3 As a very indicative expression of interest at this stage, RP1 have advised that they would prioritise Westgate and Queensway House and would be willing to look at a package of garage sites for redevelopment, if they were able to take forward either Westgate or Queensway House.

- 4.4 RP2 have also expressed a strong indicative preference for Westgate and for two communal garage sites at North/South Close Blackfordby. Similarly they have also indicated a willingness to look at a package of garage sites for redevelopment, if they were able to take forward one or both of their preferred sites for development.
- 4.5 Garage sites values are deemed to be negligible, and additional options including self build and providing hard standings for parking will be explored, especially where there is no market interest.

5 NEXT STEPS

- 5.1 In light of the lack of initial interest from commercial property developers, and subsequent discussions with the valuer, further market testing is being undertaken in relation to the three decommissioned sheltered schemes and specific garage sites at Blackfordby, Curzon Street, Ibstock, Ellistown and Newton Burgoland.
- 5.2 The valuer has provided the names of smaller developers he considers might be interested in developing one or more of the above sites and details have been forwarded with a view to the Council receiving additional expressions of interest for consideration.
- 5.3 In the meantime, further work will be undertaken in relation to the sites which generated little or no interest from RPs or developers, in order to establish any potential site constraints and if some or all could be packaged together for disposal.
- 5.4 A further report will be brought to Cabinet on 14 June 2016 to seek delegated powers for the Director of Housing, with support from s151 Officer, and in consultation with the Housing Portfolioholder to negotiate on behalf of the Council with all interested parties regarding the disposal and redevelopment of these sites.